Entrepreneurship is thriving at the University of Michigan Business School. The 2002-2003 academic year saw considerable audiences turn out for our annual entrepreneurial-focused symposiums, an increasing number of students sign up for entrepreneurial course electives, funding for five student start-ups through the Institute’s Dare to Dream grant program, sponsorship of eleven student-teams to compete at national intercollegiate competitions, and two new investments made by our Wolverine Venture Fund in the Life Sciences. In this publication, we invite you to explore what the Institute has to offer our students, alumni and members of the community.
WOLVERINE VENTURE FUND

Moving Forward During a Tough Economy

The University of Michigan Business School’s $3 million Wolverine Venture Fund annually seeks eight first year MBAs to serve on the Fund’s Student Advisory Board. The diverse team of students on the Advisory Board, with the assistance of faculty and an eight-member Advisory Board of professional venture capitalists and entrepreneurs, evaluate new investment opportunities and track the performance of the Fund’s existing portfolio. Recent Fund investment include HandyLab and PanCel. These companies have been moving fast forward on the road map to success in their field.

HandyLab, Inc. was founded in 2000 by researchers at the University of Michigan to become the leader in developing rapid test, micro-sized laboratories to address the need for point of care patient testing. The Company has licensed technology from the University of Michigan, College of Engineering’s world class MEMS (Microelectromechanical) research program. HandyLab secured $5.5 million from both current and new investors last year, a notable feat at a time when start-ups around the country are having a tough time raising venture capital. HandyLab is located in Ann Arbor, Michigan.

PanCel is an early-stage cellular therapy company that has developed technology to genetically engineer pancreatic cell lines, transparent to the human immune system, with the potential to produce insulin for the eventual cure of diabetes. PanCel’s founding scientists are leaders in engineering human pancreatic cells. The company is based on research and intellectual property licensed from the University of California San Diego. In December 2002, PanCel raised $3.2 million.

Portfolio Investments

- Intralase Corporation, May 1998, November 2001
- e-Cognita Technologies, November 2001
- SilverPop Systems, August 2000
- Avail Networks, December 2000, February 2003
- PanCel, March 2003

Investment Partners

- EDF Ventures, Versant Ventures
- EDF Ventures
- Resolution Capital Group
- Draper Fisher Jurvetson
- EDF Ventures, Blue Chip Ventures
- ARCH Development Fund, White Pine Ventures

Student Fund Members

- MBAs 2003
  - Paul Habibi
  - Jonathan Ives
  - Paul McCreadie
  - Barry Rosenberg
  - Paul Recchia
  - Umberto Santoni
  - Craig Saur
  - Amy Steffek
  - Jitesh Tank

- MBAs 2004
  - Roopesh Aggarwal
  - Cary Devore
  - Nick Hailey
  - William Lewallen
  - Todd Markson
  - Atisa Sioshansi
  - Peter Smith
  - Chris Solomon

Wolverine Venture Fund David T. Shelby Award Recipients

This year’s award recipients were Paul Habibi and Jonathan Ives, recognized for their outstanding student performance and leadership.

Student Testimonial

Paul Habibi, MBA 2003

“Joining the Wolverine Venture Fund is the best decision I have made while attending the University of Michigan Business School. Working on live deals alongside a talented group of students and accomplished members of the Advisory Board and Zell Lurie Institute, has provided me with an ability to mesh together real world venture skills with traditional academics—an unparalleled combination. I have learned how to evaluate the future prospects of early-stage enterprises, as well as how to manage the venture fund raising process, both as a venture capitalist and as an entrepreneur. These skills will be invaluable as I start my own company after graduation.”

After graduation Mr. Habibi plans on pursuing a career in the real estate/hospitality industry. He plans to grow a hotel chain, starting with his first acquisition, a midsize limited-service property in Los Angeles. Mr. Habibi completed a summer internship in 2002 in Investment Banking with Banc of America Securities LLC.

Wolverine Venture Fund Advisory Board

- Mary Ann Alger, VelCura Therapeutics
- Paul Brentlinger, Morgenthaler Ventures
- Mary Campbell, EDF Ventures, LP
- William Johnson, JP Morgan Partners
- James Price, CompanyCrafters, LLC
- Margot Shapiro
- David Shelby, Northport Private Equity Investment Companies

TAPPING ALUMNI EXPERTISE

World Class Leaders In the Classroom

Keith Alessi (MBA 1979) is legendary for his turnaround of Jackson Hewitt, Inc., the nation’s second largest tax preparation firm, where he served as the former chairman, president, and chief executive officer. Mr. Alessi spent over 20 years as a corporate “turn around” Specialist in private and publicly held companies in various industries. He is currently retired and is teaching courses in Entrepreneurship, Finance, and Accounting at Virginia Military Institute and Washington and Lee University, and at the University of Michigan Business School.

At the Business School, Mr. Alessi teaches an “Entrepreneurial Turnaround Management” course where his unique teaching style has afforded him perfect scores from students. This “hands on” course evaluates analysis techniques, prioritization of tasks, communication strategies, strategic repositioning, financial restructuring, and the psychological aspects of troubled situations.

Ken Hardy (MBA 1966, Ph.D. 1969) teaches “Marketing for Entrepreneurs.” Mr. Hardy is a distinguished professor of marketing and entrepreneurship at the University of Western Ontario’s Richard Ivy School of Business where he served as the Executive Director for the School’s Institute for Entrepreneurship from 1999-2000. His expertise in Entrepreneurial Marketing and Strategic Market Planning coupled with his published cases and teaching notes provide a cutting-edge perspective for teaching this topic. Students have fondly dubbed Mr. Hardy “the Kinneair of Canada.”

Student Testimonial

Rachel Francisco, Evening MBA

“Professor Hardy’s expertise in entrepreneurial marketing is impressive. In addition, he has personal relationships with the subjects of the cases, which brings a new dimension to what I am learning. After working through cases, I have a chance to learn exactly what happened and then engage in dialogues with representatives from the case to discover additional details. Understanding the personalities involved is at least half of entrepreneurial studies and these interactions allow me insight into cases that I just can’t get from the written page.”
TAPPING ALUMNI EXPERTISE

World Class Leaders In the Classroom

Hal Davis (MBA 1985) is the former chairman, president, and chief executive officer of BlueGill Technologies. Mr. Davis founded BlueGill in 1996 and built it into a dominant force in the Internet billing software industry. BlueGill was sold to CheckFree for $250 million in early 2000. Mr. Davis has an extensive history of tech marketing experience.

Vinay Gupta (MBA 1985) is an entrepreneurial veteran. Prior to becoming chief operating officer of Translume, Mr. Gupta became well known for co-founding BlueGill Technologies were also he served as the chief financial officer. He most recently served as vice president of operations of Checkfree i-Solutions.

Mr. Davis and Mr. Gupta lend their expertise to co-teach “New Venture Creation” & “Researching and Writing the Business Plan.” These courses provide students with a solid methodology for identifying and analyzing entrepreneurial opportunities throughout their careers. The first course looks at the other factors that lead to entrepreneurial success—the characteristics of the entrepreneur, the trends in the environment, and the availability of support—and then focuses on the means of developing innovative products, markets, or methods that can serve as viable venture concepts.

For the second course, which requires completion of a business plan, professors Davis and Gupta walk MBAs through a detailed road map of the actions that will have to be taken to either start or turnaround a proposed new venture. The course provides students with the opportunity to put all of their newly learned business skills to the test as they work firsthand with real live start-up companies, meet venture capitalists, and prepare and pitch their business plans.

KUDOS!

Rick Snyder (MBA 1979) has been selected to receive the University of Michigan Business School’s Alumni Entrepreneur of the Year Award. Mr. Snyder will be presented the award and honored as the opening keynote speaker on September 12 at “Entrepalooza 2003” the annual entrepreneur and venture capital symposium. Mr. Snyder is the former president and chief operating office of Gateway Inc. He most recently served as the chief executive officer of Ardesta LLP, which focuses on helping start-up and early-stage companies develop MEMS technology. He currently serves on the Board of Directors of Gateway, Inc. and Launch Media, Inc., and on the boards of a number of privately held companies. He is also an Advisory Board member to the Institute.

CHALLENGING STUDENT’S ENTREPRENEURIAL MINDSET

The 2003 University of Michigan Pryor-Hale Business Plan Competition

Students itching with the desire to take their business concept from idea to implementation can realize this by participating in the University’s Pryor-Hale Business Plan Competition. The Competition is one of the oldest in the country, originating in 1984 and is held annually during winter term. The contest is open to all University of Michigan undergraduate and graduate students in order to encourage entrepreneurship and business development throughout all Schools of the University. A panel of local venture capitalists, successful businessmen and businesswomen, and past winners and finalists, who may at their option offer financial support for the proposed firm, evaluate the finalist’s written plans and oral presentations, and select the winning teams.

And the winners are....

- Pryor Award for Best Business Opportunity ($10,000)
- Best Written Plan ($1,500)
- Mobius Microsystems
- Michael McCorquodale, Engineering Ph.D. student and Jeff Wilkins, MBA 2003
  - Mobius will be selling patented intellectual property to microchip makers that replace physical clock mechanisms on microprocessor circuit boards with clock mechanisms that are integrated directly onto the microprocessor. This technology reduces component size, cost and power consumption and increases functionality and reliability of integrated chip technology.

- Best Oral Presentation ($1,000)
- ADI Thermal Power (ATP) Corporation
- George Weinmann, MBA 2004
  - ADI Thermal Power Corp. (ATP) has developed an advanced power generation system that is a major improvement in efficiency and cost over competing fuel cell, turbine, and diesel technology. The system is based on proprietary “dual shell” stirling engine technology and will achieve fuel to electricity conversion efficiencies as high as 50% at a cost per kilowatt of only $300-$400. A prototype exists and testing is underway. ATP has patented technology that makes Stirling Engines super efficient as well as buildable at a fraction of today’s current costs.

Congratulations to the Pryor-Hale Finalist Teams

- Developing Power
  - Scott Baron, CEMP 2004
  - Developing Power focuses on the implementation of hybrid renewable energy mini-grid systems and microenterprise capacity building in rural villages of developing countries.

- Mini-Max Hotels
  - Jurgen Plitt, MBA 2003
  - The Mini-Max Hotels concept is to create a hotel chain providing customers the lowest-priced hotel rooms in every major city of America.

- Pixel Velocity Inc.
  - Erick Trombley, MBA 2003
  - PixelVelocity® is a supplier of high performance digital image-processing systems, software tools, and support services for customers in a broad range of markets.

- Roger Inc.
  - John Gary, Evening MBA
  - Roger Inc. helps people realize maximum value from their workouts by relieving their record-keeping burden and allowing them to create individualized workout plans with an easy to use, cost effective software product, PushXL.

2003 Pryor-Hale Competition Judges

- Mary Campbell, EDF Ventures, LP
- Ellen Clark, Deloitte & Touche
- Michael Davis, National City
- William Hale, The Hale Family
- Brian Khoury, Waypoint Ventures
- Beau Laskey, EDF Ventures, LP
- Mitch Mondry, M Group, Inc.
- Mark Petroff, Deloitte & Touche
- Steve Stimson, F.X. Coughlin Co.

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- Steve Stimson, F.X. Coughlin Co.
Dare to Dream: A Funding Program for Student Start-ups

Students who seek to realize their entrepreneurial dreams can make it happen during their MBA years at the University of Michigan Business School. The Institute’s Dare to Dream program is for Business School students who are serious about launching a business in Southeastern Michigan. This innovative program was launched in 2002 with funding from the Community Foundation of Southeastern Michigan, and to date has awarded 11 student start-ups with funding ranging from $5,000 to $20,000 for companies to implement their business concept and/or to commence operations. In addition, the program has also provided several of these start-ups with free office space in downtown Ann Arbor’s Launch Pad.

Fall 2002 Award Recipients

Matthew Tucker, MBA 2004 and Steven Cassell, MBA 2004 – Wolverine Real Estate Investments LLC
Concept: Create a real estate investment and development corporation committed to improving and restoring urban and university properties in Southeastern Michigan in order to provide high quality, high value residential housing to customers.
Award: $12,500 to launch the start-up real estate venture. This includes funding the company’s first investment, conducting initial due diligence of the Ann Arbor university housing market, creating strategic partnerships with the UM, and raising funds for ‘Stage Two’ of the Company’s business plan.

Richard Baudin, MBA 2003 – Voila Crepes Café
Concept: Become the icon in the food crepes business in the U.S. The Café will offer delicious made-to-order gourmet crepes, filled with fresh, flavorful ingredients. By offering convenient counter-service restaurants, Voila Crepe Cafe seeks to satisfy customers by providing great tasting products, superior value, and a fun experience.
Award: $12,500 to hire legal services to incorporate, register the brand and copyrights. In addition grant money will be used to set up a pilot kiosk to aid in refining products and marketing strategy.

Winter 2003 Award Recipients

Kim Gans, MBA 2003 – Candy Factory
Concept: The Candy Factory seeks to be the world’s leading provider of educational fun by providing a one-of-a-kind theme based interactive educational destination for children and their families. All activities will be geared toward discovery and creativity.
Award: $20,000 toward legal fees, consumer research, site location and design, and branding development.

Tom Anstead, Evening MBA – Lighthouse Films
Concept: Lightkeeper Films seeks to break down the barriers of film distribution often met by independent filmmakers and film students. The on-demand DVD publishing company will provide this niche market with a cost effective way to distribute their product.
Award: $7,900 to register the business, finish web site development, and produce marketing materials.

Suhas Sathe, MBA 2004 – Alphera Biosciences
Concept: A biopharmaceutical firm focusing on producing an HDL therapy for treatment of cardiovascular disease; an unmet medical need that costs Americans over $300 billion in health care expenditures each year.
Award: $20,000 to pay for procuring intellectual property and fees associated with the patent process.
Pixel Velocity – We Dared to Dream
Heather Brzozowski, Evening MBA

Pixel Velocity (PVI) was one of the very fortunate student businesses to receive one of the inaugural grants from the Zell Lurie Institute’s Dare to Dream program in Winter 2002. Formed in July 2001 to develop and manufacture a family of high-speed digital video processing and compression products leveraging commercially available programmable semiconductors, our goal was to use the Dare to Dream funding to continue our prototype development efforts, pursue relationships with potential marketing and distribution partners, meet with customers to better understand their requirements; and ultimately, conclude the feasibility of our business model and initial product concept. The project also involved Josh Patterick, MBA 2003.

The funding proved to be a critical resource for us at a time when the equity financing market was quite cold for start-ups. Josh and I both worked through the summer to complete the project, and the culmination of our efforts occurred at the Vision Show West conference in San Jose, California last November where we gave a presentation on our technology as part of the conference technical program, hosted demonstrations to media and potential marketing partners, and secured the opportunity to be a cover story for a trade publication this summer.

MegA Networking Events

Great Lakes Entrepreneur’s Quest
Founded in 2000 by McKinsey’s Detroit office, Great Lakes Entrepreneur’s Quest has awarded more than $300,000 in prize money during the first two years of its annual Michigan Business Plan Competition to encourage and educate entrepreneurs on the creation, start up, and early growth stages of high-growth technology-based businesses within the state of Michigan. For the past two years, the Institute has co-managed this program and involved many sponsors and volunteers throughout the state of Michigan.

In the third year of the Quest, a total of $175,000 will be awarded to participants over two phases of competition. Kicked off in October 2002, Phase 1 was a regional competition with $60,000 awarded to winning teams from the state’s Eastern, Western and Northern regions. In April 2003, the Phase 2 statewide competition will award a $50,000 grand prize and two runner-up awards of $25,000 each. This year three $5,000 honorable mention prizes will also be awarded for innovation, demonstrated improvement, and coach’s nomination for best team.

A total of 27 free training sessions were held throughout the state from October 2002 through March 2003. Workshop topics included: marketing, finance, strategy, management and product distribution. All teams were provided the benefit of working with GLEQ volunteer coaches, many of whom are highly successful Michigan entrepreneurs willing to donate their time, energy and expertise. All teams also received feedback on their business plans from venture capital judges throughout the state of Michigan. For more information, see: www.gleq.org

Awards for Phase I of Third Annual Quest
December 2002

Regional Winners - $10,000 Awarded to Winning Teams

East—Whitmore Lake-based PICOCAL, submitted by Angelo Gaitas. PICOCAL’s concept entails the development of a scanning thermal probe microscope for the semiconductor market. The microscope operates in a fundamentally different manner than other instruments in its class - it scans materials and creates a thermal image that is used to detect defective integrated circuits.

West—Mattawan-based Paradigm Technologies, submitted by Sherri Pence. The concept is to commercialize a proprietary system that defines a new paradigm in the injection molding machine industry. The patented technology called Paradigm, uses “dynamic” tie-bars and “turtleneck technology” eliminating the artificial process constraints associated with the mold machinery tie-bars.

North—Traverse City-based Salamander Technologies, submitted by Russ Miller. The company’s system features pain-computing and high-capacity bar codes to unite all potential first responders to an emergency with a common, machine-readable tag and tracking system.

Regional Runner-Up Winners - $5,000 Awarded to Winning Teams

East—Cyclos Semiconductor of Petersburg, submitted by Jeffrey Banker. The company has created an entirely new approach to reducing power dissipation in semiconductor devices by developing a proprietary circuit technology. This technology reduces power dissipation by up to 75% while maintaining 90% of the circuit’s performance.

East—Unitech Pharmaceuticals of Ann Arbor, submitted by JiaJiu Shaw. This early-stage pharmaceutical research company has discovered and is developing a new and proprietary platform of cancer treatments. These treatments are more effective and produce fewer side effects than present chemotherapy drugs.

West—Product Animations Incorporated of New Buffalo, submitted by Charles Roberson. This company provides software for manufacturers to efficiently convert computer-aided-design or CAD files into animated product communications for a diverse range of cost-saving applications.

West—Surge Medical Designs, submitted by Ray Lokers. This company manufactures, and distributes innovative medical devices for use in cardiac surgery and cardiology.

North—Houghton-based Headwater Hardwoods, submitted by Kip Ambrosius. Headwater Hardwoods will develop a leading edge, technologically advanced mill, coupled with state of the art inventory management software in order to yield more lumber from the same logs as a conventional circle mill.

North—Houghton-based Multilingual Keyboard, submitted by Rebecca Garlock and Rajan Singh. The Multilingual Keyboard offers users the benefit of changing the display of characters on keycaps to their desired language, and consequently users can reduce the error and time it takes in typing a foreign language.

Phase 2 Awards will be determined in April 2003.
Venture capitalists have gone “back to the basics” in down times, adopting more stringent business practices in their investment selection and portfolio management as they seek to regain their footing following the boom-to-bust cycle they experienced over the past four years. Leading entrepreneurial experts, who offered their views at Entrepalooza 2002 this fall, said the focus on hyper-growth during the 1998-99 bubble has been replaced by rigorous due diligence aimed at cherry-picking right-priced companies with strong management capabilities and favorable market positions.

“I’ve had to adapt twice in my career to do essentially the same job through changing business needs,” said Ravi Mohan, MBA ’96, a general partner of Battery Ventures, who described his personal odyssey in venture capitalism through what he termed the Gold Rush and the Abyss. “What it took to be successful in an up economy is not necessarily what it takes to be successful in today’s economy.”

Mohan advised venture investors to monitor ever-changing business conditions constantly and to determine whether their current business practices are working, or whether they need to modify, adapt or gain new skills in order to maximize their investment potential. Perseverance, hard work and treating people right will be key strategies, he added, both for entrepreneurs seeking funding and equity investors looking for good deals, as the industry undergoes a “massive shakeup” over the next few years.

Michael Jandernoa, chairman of the board of Perrigo Company, kicked off Entrepalooza 2002: The Foundation of Future Business by sharing the story of his own success with the West Michigan pharmaceutical firm and offering lessons applicable to the current entrepreneurial environment. The annual half-day public symposium was held September 13 at the University of Michigan Business School. Jandernoa received the Alumni Entrepreneur of the Year Award, which was presented to him by Business School Dean Robert J. Dolan.

Throughout the morning, concurrent panel discussions by entrepreneurs, venture investors and business executives centered on ways to obtain equity financing for angel, seed-stage and late-stage companies, strategies for growing a small business and opportunities offered by franchising or start-up ventures in emerging economies. Despite the sharp decline in fund raising in 2002, the slower pace of investing and the lengthening time to liquidity—which in turn have lowered once-loyal expectations for returns—industry leaders were still upbeat about the long-term prospects for venture capitalism and the opportunities for young people.

“Profitable (late-stage) companies can get financed,” said Simon Feiglin, a senior associate at Morgenthaler Venture Partners, which is headquartered in Cleveland, Ohio, and specializes in traditional management buyouts and leveraged recapitalizations, industry build-ups and later-stage investments. Finding those profitable companies, rather than financing them, is actually the bigger challenge, he added.

Jason Runco, the vice president of Questor Fund, a Michigan-based turnaround investment firm, said he looks for basic manufacturing and service companies with a stable revenue line and a customer base that requires its products and/or services. If a business does not have a franchise or customers who will stick with it through the transitional turnaround period, or if its debt levels are too high, Questor will generally walk away from the deal.

“Partnering with good strong management teams is absolutely critical for us,” said Michael DeGrandis, a partner in Kirkland Capital Partners, a privately funded investment group based in Ohio. “In addition, we require they put up equity dollars with us on the same terms that we put money in the business. That formula has worked extremely well. It aligns our interests with management.”

DeGrandis also likes to find companies with a strong market leadership position in the industries in which they compete, “something that gives them a leg up relative to their competitors.” On the other hand, problems such as weak management, lack of growth or overpriced valuation raise red flags for DeGrandis and his investment partners.

“Pricing the deal so we can get equity returns” is a top priority for Stephen Altman, a principal at Long Point Capital, a Michigan and New York-based investment firm that partners with Masco Corp., its largest investor. “We also look at how we can grow the company and add value through acquisitions, capital expenditures or changing their strategy to increase their market share,” he said. The “trust factor” is equally important. “We will be working with these people for three to seven years,” Altman explained, “and we want to make sure we are investing alongside a capable management team.”

Entrepalooza is held each September at the Business School and is co-hosted by the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies and the Entrepreneur and Venture Capital Club. Both organizations are affiliated with the University of Michigan Business School.
MEGA NETWORKING EVENTS

Zell Lurie and UM Office of Tech Transfer Present Annual Emerging Industry Symposium

Mapping the Path to Alternative Energy
By Claudia Capos

Speaking at a recent University of Michigan emerging-industry symposium, leaders from the public and private sectors examined the promising business opportunities and potential investment pitfalls created by America’s pursuit of sustainable alternative energy as a means for reducing its foreign-oil dependency and curtailing harmful emissions. The half-day conference, held Feb. 14, 2003 in Ann Arbor, was co-sponsored by the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies and the Energy Club at the University of Michigan Business School, the University’s Office of Technology Transfer, and the Michigan Economic Development Corporation.

“This nation’s personal-transportation industries are starting to be transformed to reflect economic, environmental and political realities,” reported Douglas Faulkner, a deputy assistant secretary for energy efficiency and renewable energy at the U.S. Department of Energy, “We stand on the cusp of revolutionary change in this country and the world.” Demand for energy is expected to grow throughout the century, with U.S. dependence on foreign oil rising from the current 54 percent to 68 percent by 2025.

All signs, Faulkner said, point to an energy future based on hydrogen. He predicted hydrogen fuel cells will one day power cars, trucks and buses and provide energy for homes and businesses, spawning whole new industries centered on related technologies, distribution and storage. The government will play a role in funding research and development, but the formidable task of commercializing new technologies and taking them into the marketplace will rest with the private sector.

“In Michigan, these (government research) programs provide golden opportunities for individuals and businesses with vision, determination and expertise,” Faulkner told the gathering of Business School students and faculty, entrepreneurs, venture capitalists and representatives from automotive and electric-power companies. Competition is particularly keen today during the current transition period, where “bridge” technologies are vying for capital and attempting to gain dominance in their sector of the market.

Startup ventures seeking capitalization should provide prospective investors with their financial projections up-front, advised Maurice Gunderson, co-founder and managing director of the investment firm Nth Power. “Tell us how much money you’re going to make, how fast you’re going to do it and how you’re going to do it,” he said. New companies also can increase their chances of success by focusing on markets and management, not technology. “We invest in management,” Gunderson explained. “It’s a bet is on the people, so focus your business plan on the people, not the technology.”

The state of Michigan, which aspires to become a leader in alternative-energy development, already has a skilled labor force and well-established auto-supplier partnerships in place, according to Thomas R. Hulet, president and CEO of STM Power Inc. He said his sterling engine-based technology company provides the supplier network with “a chance to diversify from its current 99-percent reliance on conventional automotive-supply technology and to play a role in a rapidly emerging technology basis.”

Following the early hype and stock-price spikes, the fuel-cell industry is finally getting back to basics with “a boring ground game right now but a very exciting end game ahead of us,” said Roger B. Saillant, the president and CEO of Plug Power Inc. Many obstacles technological, regulatory and logistical, as well as financial must be overcome, however, before fuel cells become commercially viable for transportation and distributed power generation.

“The fuel-cell business represents enormous potential,” Saillant said. “It is a multigenerational effort. If you think it will happen in the next quarter, the next six months or the next two years, back off on that kind of thinking and recognize it’s going to take some time.” Developing fuel cells as a power source is also an interdisciplinary effort, he added. “The three circles academics, the government and industry are going to have to come together and overlap in a way they haven’t done in the past. Success requires near-term technical and political action.”

The “Alternative Energy: Economic Impact & Opportunity” symposium helped Business School students such as Jake Swenson assess the challenges and opportunities of pursuing work in the alternative-energy field and do some networking.

“The conference provided me with a chance to learn more about emerging-energy technologies, how the investment community currently views alternative technologies and where Michigan might fit into an alternative-energy future,” explained Swenson, a third-year CEMP student at Michigan and vice-president of company relations: clean energy technologies for the Business School’s Energy Club. CEMP (Corporate Environmental Management Program) is a dual-degree program administered by the Business School and the School of Natural Resources and Environment.

Michigan Bio Med Expo 2002: Road To Success
This one-day trade show for the life sciences industry highlights resources and opportunities for start-ups, entrepreneurs, and companies in Michigan. In addition to the many workshops, exhibits and presenters at the Expo held on October 24, a showcase highlighting new life science companies was featured. The Showcase allows start-up or early stage companies to network and present their technology and products to an audience of venture capital representatives, pharmaceutical research and licensing executives, institutional investors, and other biotechnology executives. The Institute and Tullis-Dickerson Health Care Venture Capital teamed up to partially manage and sponsor the showcase.

2002 Start-up Showcase Participants

Applied Autogenomics – Ann Arbor-based company developing software enabling an integrated, personalized wellness program.

Biomes Pharmaceuticals, Inc. – Rockford-based natural product drug discovery company utilizing novel sources of microbes

DataSpeaks, Inc. – Troy-based software company that provides computational measures for systems biology and health.

Frontier Medical, LLC – Ann Arbor base company developing medical imaging processing services via the internet for oncology.

Genetics Squared, Inc. – Ann Arbor based silico discovery company developing new approaches in bioinformatics for drug discovery.

KeraCure, Inc. – Ann Arbor based biotechnology medical device company with cellular delivery and advanced wound care products

Mers, LLC – Ann Arbor based technology company whose focus is nanoeengineering of materials and informatics to drive innovation.

NephrX, Inc. – Portage based biotechnology company developing therapeutic products for kidney and gastrointestinal treatment.

NT2, Inc. – Detroit based biotechnology company developing technologies to discover molecular targets for drug discovery

Trivera Biotechnology, LLC – Ann Arbor based biotechnology company developing technology that enables gene discovery based on gene activity.

Yano Research Laboratory, Inc. – Ann Arbor based cheminformatics contract research company developing computational methods facilitating drug discovery.

“Thank you for the opportunity to present at the Start-up Showcase this year. It was an extremely positive experience and very good for exposure to the Michigan life-sciences community. BioMed Expo is always an outstanding event and one of my favorite meetings each year. Thanks for your part in making it a success.”

- Neal Clinthorne, Frontier Medical
IN THE PRESS

News Excerpts
For complete press coverage of the Institute and the Wolverine Venture Fund, see:
www.zli.bus.umich.edu/news_events

“Venture Capital and the University: The Endowment’s Role”
By Vance Fried

…many university endowments have been successful investors in venture capital for strictly
IRR reason and remain active in today’s market. This article presents a strategy for endowment
investing that increases the flow of capital to the university community without compromising the
investment goals of the endowment…

… by only making investments as a small co-investor alongside established, private sector
lead investors. There are numerous benefits to this approach:

- It substantially increases the quality of investments.
- It allows the fund to be very small—under $1 million—yet still be economically feasible
  because it never leads investments.
- It gives students contact with multiple venture capital firms.
- It allows the fund to avoid being the “bad guy” when proposals are rejected, founders fired,
  etc.

To be successful, a fund needs to be student-centric, not student run. Students must be top-
quality, but also must be properly supervised. The fund will feel “real” to the students; yet not
expect students to perform activities beyond their capabilities. Student work assignments and
their relationships with co-investors and portfolio companies need to be structured so that
students are helpful without getting in the way…

Running A Student-Centric Fund (Appendix A)
While similar, the Wolverine Fund was developed independently at the University of Michigan
under the direction of Tim Petersen…

The program runs over the full school year as an elective business course that integrates
classroom education with operation of a small, co-investment venture fund. As part of the
management of the fund, students work on a variety of projects related to private equity
investments. Using a clinical seminar format, students report regularly on their projects. As a
class they discuss the issues they are facing, and receive guidance as to how problems may be
resolved. Throughout the course, supplemental readings and mini-lectures are given on topics
relevant to the investing activities of the fund. In addition, students look at major issues in the
venture capital industry.

Deal Origination
The Director is responsible for deal origination. Many deals come through co-investors. Therefor,
the Director maintains regular contact with potential co-investors. In some circumstances, the
fund originates the deal. They may be university spin-offs coming directly from the University
Intellectual Property Office. Also, since the program is highly visible in the university community,
local entrepreneurs may contact the fund first. Since the fund cannot lead an investment, the
Director needs to find a potential lead investor before proceeding further. Although students
are not responsible for deal origination, they help make the fund visible by regularly attending
networking events…

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“Universities: Your New Best Friend”
Excerpt taken from the November 2002 Issue of Inc. Magazine
By Emily Barker

For resource-hungry entrepreneurs, the explosion of university-based business-development
programs comes as sweet relief in tight economic times. From Ann Arbor to Chapel Hill, find out
what’s out there for you — and why colleges are in such a giving mood.

Kathy Zelenock needed venture capital for her start-up, eCognita Technologies Inc., which makes
transaction-management software for the mortgage industry. She found it at the University of
Michigan...

“Universities are now sitting on and have been sitting on a lot of good research that could form
the basis of companies,” says Tim Petersen, managing director of the Samuel Zell and Robert
H. Lurie Institute for Entrepreneurial Studies at the University of Michigan. “It’s not just big
research universities; it’s any university that has some research going on. Over the past 5 or
10 years, a lot of universities have seen the light. They have something that could provide some
financial support for the university…”

Students need hands-on experience, whether in the form of an internship, a class consulting
project, or simply a face-to-face conversation with someone who has started and run a business.
Many of the new university programs that help entrepreneurs are really geared to giving students
direct experience with growth companies...

And for Zelenock, the $100,000 in venture funding that she got from the University of Michigan’s
Wolverine Venture Fund was just the beginning. That initial contact gave her entrée into other
university offerings. Most notably, through a business-school internship program, Zelenock
enlisted the help of six M.B.A. students full-time for seven weeks on marketing issues for e-
Cognita. “We got resources that we would never be able to afford as a start-up,” says Zelenock.
*Every investor offers support and assistance, but this has been far and away the most valuable
in that respect.*

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